

ACCOUNTANCY EXAMINING BOARD[193A]

Adopted and Filed

Pursuant to the authority of Iowa Code section 542.4, the Accountancy Examining Board (Board) hereby amends Chapter 1, “Definitions,” Chapter 6, “Attest and Compilation Services,” Chapter 7, “Certified Public Accounting Firms,” Chapter 8, “Licensed Public Accounting Firms,” Chapter 10, “Continuing Education,” Chapter 13, “Rules of Professional Ethics and Conduct,” Chapter 14, “Disciplinary Authority and Grounds for Discipline,” Chapter 20, “Practice Privilege for Out-of-State Certified Public Accountants,” and Chapter 21, “Practice Privilege for Out-of-State Certified Public Accounting Firms,” Iowa Administrative Code.

These amendments update the Board’s rules to reflect changes enacted by 2017 Iowa Acts, Senate File 237, which amends Iowa Code chapter 542 to authorize out-of-state certified public accounting firms (CPA firms) exercising a practice privilege to perform all forms of attest services, as opposed to only review and compilation services as previously authorized. These amendments also update the Board’s rules to allow CPA firms to designate nonlicensee owners as the individuals responsible for CPA firm licensure, consistent with 2017 Iowa Acts, Senate File 237. The amendments also amend the Board’s rules to include the Commonwealth of the Northern Mariana Islands within the definition of the term “state,” consistent with 2017 Iowa Acts, Senate File 237.

The amendments reflect partial compliance with Iowa Code section 17A.7(2), which states that beginning July 1, 2012, over each five-year period of time, an agency shall conduct an ongoing and comprehensive review of all of the agency’s rules. The goal of the review is to identify and eliminate all rules that are outdated, redundant, or inconsistent or incompatible with statute or the agency’s rules or the rules of other agencies.

Notice of Intended Action was published in the Iowa Administrative Bulletin on August 2, 2017, as **ARC 3224C**. A public hearing was held at 1 p.m. on Monday, August 28, 2017, at the offices of the Professional Licensing and Regulation Bureau, 200 E. Grand Avenue, Suite 350, Des Moines, Iowa. Since publication of the Notice, one change has been made in response to comments received. In Item 7, a cross reference to paragraph 4.1(2)“f” has been added to subrule 8.1(7) to clarify what constitutes good moral character.

There is no fiscal impact. No current fees are being changed, and no new fees are being imposed.

These amendments are subject to waiver or variance pursuant to 193—Chapter 5.

These amendments were adopted at the September 27, 2017, regular meeting of the Board.

After analysis and review of this rule making, no impact on jobs has been found.

These amendments are intended to implement Iowa Code chapter 542 as amended by 2017 Iowa Acts, Senate File 237.

These amendments will become effective November 29, 2017.

The following amendments are adopted.

ITEM 1. Amend rule **193A—1.1(542)**, definition of “State,” as follows:

“State” means a state of the United States, the District of Columbia, Puerto Rico, the United States Virgin Islands, the Commonwealth of the Northern Mariana Islands, or Guam.

ITEM 2. Amend subrule 6.1(3) as follows:

6.1(3) CPAs performing attest services, whether the CPAs are certified in Iowa or exercising a practice privilege, must do so in a CPA firm that holds a permit to practice pursuant to Iowa Code section 542.7. ~~However, a CPA exercising a practice privilege who works for or in an out-of-state CPA firm that does not hold a permit to practice under Iowa Code section 542.7 may provide review services in Iowa or for a client with a home office in Iowa as long as the firm complies~~ exercising a practice privilege in compliance with Iowa Code section 542.20, subsections 5 and 6, sections 542.20(5) and 542.20(6) and associated rules and the peer review and ownership provisions of Iowa Code section 542.7.

ITEM 3. Amend paragraph **6.3(3)“c”** as follows:

c. Out-of-state CPAs performing attest services while exercising a practice privilege under Iowa Code section 542.20 are not required to individually apply to the board for attest qualification, ~~but the~~. However, if:

(1) ~~CPAs perform attest services in an Iowa CPA firm in which such attest services are performed,~~ the Iowa CPA firm shall affirm when applying for an initial or renewal firm permit to practice that the CPAs who supervise attest services for the firm or who sign or authorize someone to sign the accountant's report on behalf of the firm, as such attest services are or will in the following year be performed in Iowa or for a client with a home office in Iowa, have been qualified to perform attest services in Iowa or another jurisdiction.

(2) ~~CPAs perform attest services through an out-of-state CPA firm exercising a practice privilege,~~ the out-of-state CPA firm shall affirm upon request from the board that the CPAs who supervise attest services for the firm or who sign or authorize someone to sign the accountant's report on behalf of the firm, as such attest services are or will in the following year be performed in Iowa or for a client with a home office in Iowa, have been qualified to perform attest services in Iowa or another jurisdiction.

ITEM 4. Amend paragraph **7.1(5)“a”** as follows:

a. ~~Designate an Iowa CPA or a person with a practice privilege under Iowa Code section 542.20~~ a nonlicensee owner who is responsible for the proper licensure of the firm and the firm's compliance with all applicable laws and rules of the state;

ITEM 5. Amend subrule 7.1(6) as follows:

7.1(6) An out-of-state CPA firm exercising a practice privilege may perform ~~review~~ attest services in Iowa or for a client with a home office in Iowa without first obtaining a firm permit to practice in Iowa as long as the firm is validly licensed in the state of its principal place of business, complies with Iowa Code section 542.20, ~~subsections 5 and 6, as amended by 2012 Iowa Acts, Senate File 2122,~~ sections 542.20(5) and 542.20(6) and associated rules, and complies with the peer review and ownership provisions of Iowa Code section 542.7.

ITEM 6. Amend subrule 7.3(11) as follows:

7.3(11) Affirmation that all CPAs or LPAs who are responsible for supervising compilation services or who sign or authorize someone to sign the accountant's compilation report ~~on the financial statements~~ on behalf of the firm comply with nationally recognized professional standards that are applicable to the compilation services performed in Iowa or for a client with a home office in Iowa.

ITEM 7. Amend subrule 8.1(7) as follows:

8.1(7) The application shall affirm that all nonlicensee owners are of good moral character as defined in 193A—paragraph 4.1(2)“f” active participants in the firm or an affiliated entity.

ITEM 8. Amend subrule 10.7(1) as follows:

10.7(1) Every CPA certificate holder or LPA license holder who is responsible for supervising compilation services or who signs or authorizes someone to sign the accountant's compilation report ~~on the financial statements~~ on behalf of a firm shall complete, as a condition of certificate or license renewal, a minimum of eight hours of continuing professional education devoted to financial statement presentation, such as courses covering the statements on standards for accounting and review services (SSARS) and accounting and auditing updates. When required, the financial statement presentation continuing education shall be completed within the three-year period ending on the December 31 or June 30 preceding the application for certificate or license renewal. For credit to be claimed for a course covering multiple topics, a minimum of one hour as outlined in subrule 10.6(1) shall be devoted to financial statement presentation. For example, if a seminar or presentation is conducted for a total of four hours and only one hour is devoted to financial statement presentation, then only one hour shall be claimed toward meeting the requirement of this subrule.

ITEM 9. Amend subrule 13.4(2) as follows:

13.4(2) Practice privilege. All audit, review, and other attest services performed in Iowa or for a client with a home office in Iowa must be performed through a CPA firm that holds an active Iowa firm

permit to practice; ~~provided that, or through~~ an out-of-state CPA firm exercising a practice privilege ~~may perform review services in Iowa or for a client with a home office in Iowa without first obtaining a firm permit to practice in Iowa as long as the firm complies in compliance~~ with Iowa Code sections 542.20(5) and 542.20(6) and associated rules and the peer review and ownership provisions of Iowa Code section 542.7. Unless Iowa certification is specifically required by a governmental body or client, the individual CPAs performing such attest services may either hold an active Iowa CPA certificate or exercise a practice privilege as more fully described in Iowa Code section 542.20. LPAs and LPA firms are not authorized to perform attest services.

ITEM 10. Amend subrule 13.5(3) as follows:

13.5(3) *Mandatory financial statement presentation continuing professional education.* In each renewal period in which compilation reports are issued, every CPA certificate holder or LPA license holder who is responsible for supervising compilation services or who signs or authorizes someone to sign the accountant's compilation report ~~on the financial statements~~ on behalf of a firm shall complete, as a condition of certificate or license renewal, a minimum of eight hours of continuing education devoted to financial statement presentation every three years, such as courses covering the Statements on Standards for Accounting and Review Services (SSARS) and accounting and auditing updates. This requirement is more fully described in 193A—subrule 10.7(1).

ITEM 11. Amend paragraph **14.3(5)“c”** as follows:

c. Performing attest services as an individual without proper certification or attest qualification, or without acting through a CPA firm holding a permit to practice pursuant to Iowa Code section 542.7 or exercising a practice privilege pursuant to Iowa Code section 542.20.

ITEM 12. Amend paragraph **14.3(5)“d”** as follows:

d. Performing attest services as a firm without holding a permit to practice pursuant to Iowa Code section 542.7 or exercising a practice privilege pursuant to Iowa Code section 542.20, or without ensuring that the individuals responsible for supervising attest services or signing or authorizing someone to sign the accountant's report are attest qualified, hold the required certification or are eligible to exercise a practice privilege, or otherwise performing attest services in a manner inconsistent with Iowa Code chapter 542 and 193A—Chapters 6 and 7 or the rules of the board.

ITEM 13. Amend rule 193A—20.5(542) as follows:

193A—20.5(542) Attest and compilation services.

20.5(1) Individuals providing audit, review or other attest services in Iowa or for a client with a home office in Iowa must practice through a CPA firm that holds an active permit to practice pursuant to Iowa Code section 542.7; ~~provided that, or through~~ an out-of-state CPA firm exercising a practice privilege ~~may perform review services in Iowa or for a client with a home office in Iowa without first obtaining a firm permit to practice in Iowa as long as the out-of-state firm is validly licensed in the state of its principal place of business, complies with Iowa Code section 542.20, subsections 5 and 6, as amended by 2012 Iowa Acts, Senate File 2122, sections 542.20(5) and 542.20(6) and associated rules, and complies with the peer review and ownership provisions of Iowa Code section 542.7.~~ Unless Iowa certification is specifically required by a governmental body or client, individual CPAs performing such attest services through an out-of-state CPA firm may either hold an active Iowa CPA certificate or exercise a practice privilege as more fully described in Iowa Code section 542.20. Individuals who provide such attest services in Iowa or for a client with a home office in Iowa through an out-of-state CPA firm exercising a practice privilege must provide such services through a certified public accounting firm that is validly licensed in the state of its principal place of business, complies with Iowa Code sections 542.20(5) and 542.20(6) and associated rules, and complies with the peer review and ownership provisions of Iowa Code section 542.7.

20.5(2) Individuals providing compilation services in Iowa or for a client with a home office in Iowa must comply with the peer review provisions of Iowa Code section 542.6(6), or provide such services through a CPA or LPA firm, or a substantially equivalent firm that holds a valid license in the firm's

principal place of business and that complies with the peer review and ownership provisions of Iowa Code section 542.7 or 542.8.

~~20.5(3) Individuals who provide reviews of financial statements, as provided in Iowa Code section 542.3, subsection 1, in Iowa or for a client with a home office in Iowa must provide such services through a certified public accounting firm that is validly licensed in the state of its principal place of business and that complies with the peer review and ownership provisions of Iowa Code section 542.7.~~

ITEM 14. Amend subrule 21.3(2) as follows:

21.3(2) Iowa licensure is required if:

~~a. The firm performs or offers to perform attest services, other than review services, in Iowa or for a client with a home office in Iowa; or~~

~~b. The the firm has one or more offices in Iowa at which the firm uses the title “CPAs,” “CPA firm,” “certified public accountants,” or “certified public accounting firm.”~~

ITEM 15. Rescind rule 193A—21.5(542) and adopt the following **new** rule in lieu thereof:

193A—21.5(542) Attest and compilation services. Unless otherwise required by rule 193A—21.3(542), attest and compilation services may be performed by an out-of-state CPA firm exercising a practice privilege as long as the out-of-state firm is validly licensed in the state of its principal place of business, complies with Iowa Code sections 542.20(5) and 542.20(6) and associated rules, and complies with the peer review and ownership provisions of Iowa Code section 542.7.

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